

## Who are the investment managers?

Feeder - STANLIB Asset Management (Pty) Ltd, FSP 719, an authorised Financial Services Provider under the Financial Advisory and Intermediary Services Act 2002, manage the investments of the fund.

Underlying - Brandywine Global Investment Management were appointed by the investment manager (STANLIB Asset Management Limited) as the sub-investment manager of the STANLIB Global Bond Fund, a sub-fund of STANLIB Funds Limited. Brandywine Global is a mid-sized boutique investment firm with USD 70 billion under management. The company is an independent subsidiary of Legg Mason and operates as a fully autonomous entity with complete control over investments. The company's mission is to seek value not yet recognised by others.

## Fund review

The fund returned 6.83% for the second quarter of 2020 compared to the benchmark return of 0.62%. Year to date return is 20.11% against a benchmark return of 26.39%. The funds positive return was due to duration, reflecting gains from holding select emerging market sovereign bonds as well as US investment grade corporate bonds. The rand remains volatile due to global outbreak of COVID-19 in the first quarter, economic uncertainty and a low growth environment in SA. The market value of the fund declined during the quarter due to large client outflows.

## Market overview

Emerging markets rebounded strongly during the quarter. Chinese economic data continued to show signs of improvement while increased demand and the return of some manufacturing helped raw materials to recover, providing a needed lift to the developing world. Furthermore, many emerging markets have been able to implement their own fiscal and monetary remedies, with some even resorting to quantitative easing. Sovereign bond positions in Mexico, Colombia, Indonesia, Brazil, and South Africa benefited performance.

To a lesser extent, currency exposure also added to the alpha for the quarter. The U.S. Dollar Index (DXY) fell less than 2% during the quarter. Despite ending the quarter with approximately a 30% weighting in dollars, currencies delivered over 2% of alpha. These gains came mainly from a selection of emerging market currencies, led by the Indonesian rupiah. After a catastrophic collapse in April, oil prices recovered, fueled by increasing demand, an agreement by oil-producing nations to end the price war and cut production, and a decline in U.S. output, which benefited our position in the Norwegian krone.

The fund underwent an aggressive repositioning toward longer-dated corporate bonds which increased the portfolio's duration by 30%. Currently, overall duration is near benchmark, with a significant overweight in U.S. investment grade corporate credit. The fund currently does not own Treasuries or developed market sovereign debt in general. There is a small allocation to Italian BTPs, driven mainly on spread consideration with core Europe and recent developments that reduce the odds of political disintegration.

The portfolio remains underweight the U.S. dollar. The bull market in the dollar is long in the tooth, and our metrics have flagged the dollar as expensive for some time. It may seem surprising to some that the dollar has not fallen more given the massive additions to the Fed's balance sheet this year. In our view, the dollar has remained relatively resilient despite this balance sheet expansion because the Fed has been leaning into an unprecedented surge in the demand for dollar liquidity. The collapse in the global economy earlier this year caused dollar demand to soar as revenues and incomes suddenly dropped off.

## Looking ahead

Demand for dollars at the Fed's swap facility has retreated in recent weeks. However, the central bank has stated its intent to continue adding to the balance sheet at a rate of \$120 billion per month. In addition, there have been extensive internal discussions on the use of yield curve control as a mechanism for controlling rates should the need come. It is clear the central bank wants to keep policy as accommodative as possible.

Additionally, uncertainty will grow surrounding the upcoming U.S. presidential election. Most public opinion polls predict a Biden-Democrat victory if not a sweep. The Biden economic platform includes a reversal of the Trump tax cuts and tariff increases, both of which would be negative to the dollar.

The commentary gives the views of the portfolio manager at the time of writing. Any forecasts or commentary included in this document are not guaranteed to occur.

## Change in allocation of the fund over the quarter

Asset type	Q2 2020	Q1 2020	Change
Domestic Cash & Mny Mkt	4.99	1.93	3.07
Domestic Fixed Interest	2.67	2.60	0.06
Foreign Cash & Mny Mkt	-1.52	0.03	-1.55
Foreign Equity	-0.03	0.00	-0.03
Foreign Fixed Interest	90.45	95.99	-5.54
Foreign Other	3.44	-0.56	4.01

The portfolio adhered to its portfolio objective over the quarter.

## Fund classes

Class	Type	TER	Price (cpu)	Units	NAV (Rand)
A	Retail	1.7	315.53	4,472,231.31	14,111,263.89
B3	Retail	1.04	342.44	2,286,129.50	7,828,614.55

All Price, Units and NAV data as at 30 June 2020.

Units - amount of participatory interests (units) in issue in relevant class.

TER - 1 Year Total Expense Ratio (%) including VAT as at 31/03/2020. The Total Expense Ratio (TER) shows the charges, levies and fees relating to the management of the portfolio and is expressed as a percentage of the average net asset value of the portfolio, calculated over the period shown and annualised to the most recently completed quarter. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER should not be regarded as an indication of future TERs.

## Disclosures

Collective Investment Schemes in Securities (CIS) are generally medium to long term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to future performance. CIS are traded at ruling prices and can engage in borrowing and scrip lending.

The STANLIB Global Bond Feeder Fund is a portfolio of the STANLIB Collective Investment Scheme (the Scheme).

The manager of the Scheme is STANLIB Collective Investments (RF) (Pty) Limited (the Manager). The Manager is authorised in terms of the Collective Investment Schemes Control Act, No. 45 of 2002 (CISCA) to administer Collective Investment Schemes (CIS) in Securities. Liberty is a full member of the Association for Savings and Investments of South Africa (ASISA). The Manager is a member of the Liberty Group of Companies. The manager has a right to close a portfolio to new investors in order to manage the portfolio more efficiently in accordance with its mandate. The Manager does not provide any guarantee either with respect to the capital or the return of a CIS portfolio. A schedule of fees and charges and maximum commissions is available on request from the Manager.

The trustee of the Scheme is Standard Chartered Bank.

The investments of this portfolio are managed, on behalf of the Manager, by STANLIB Asset Management (Pty) Ltd, an authorised financial services provider (FSP), FSP No. 719, under the Financial Advisory and Intermediary Services Act (FAIS), Act No. 37 of 2002.

Prices are calculated and published on each working day, these prices are available on the Manager's website ([www.stanlib.com](http://www.stanlib.com)) and in South African printed news media. This portfolio is valued at 15h00. Forward pricing is used. Investments and repurchases will receive the price of the same day if received prior to 15h00.

This portfolio is permitted to invest in foreign securities. Should the portfolio include any foreign securities these could expose the portfolio to any of the following risks: potential constraints on liquidity and the repatriation of funds; macroeconomic risks; political risks; foreign exchange risks; tax risks; settlement risks; and potential limitations on the availability of market information.

This is a portfolio that derives its income primarily from interest-bearing instruments. The yield (if shown) is a current effective yield calculated daily.

This portfolio is a Feeder Fund portfolio. A Feeder Fund portfolio is a portfolio that invests in a single portfolio of a collective investment scheme, that levies its own charges, which could result in a higher fee structure for the Feeder Fund.

All performance returns and ranking figures quoted are shown in ZAR and are based on data sourced from Morningstar or Statpro and are as at 30 June 2020.

Annualised return figures are the compound annualised growth rate (CAGR) calculated from the cumulative return for the period being measured. These annualised returns provide an indication of the annual return achieved over the period had an investment been held for the entire period. Actual annual figures are available on request from the Manager.

Portfolio performance figures are calculated for the relevant class of the portfolio, for a lump sum investment, on a NAV-NAV basis, with income reinvested on the ex-dividend date. Individual investor performance may differ due to initial fees, actual investment date, date of reinvestment of income and dividend withholding tax. Portfolio performance accounts for all costs that contribute to the calculation of the cost ratios quoted, all returns quoted are after these costs have been accounted for.

Additional information about this product including, but not limited to, brochures, application forms and annual or quarterly reports, can be obtained free of charge, from the Manager and from the Manager's website ([www.stanlib.com](http://www.stanlib.com)).

## Contact details

### Manager

STANLIB Collective Investments (RF) (Pty) Limited  
Reg. No. 1969/003468/07  
17 Melrose Boulevard, Melrose Arch, 2196  
Telephone: 0860 123 003  
Email: [contact@stanlib.com](mailto:contact@stanlib.com)  
Website: [www.stanlib.com](http://www.stanlib.com)

### Investment Manager

STANLIB Asset Management (Pty) Ltd  
An authorised financial services provider, FSP No. 719  
Reg. No. 1969/002753/07  
17 Melrose Boulevard, Melrose Arch, 2196  
Telephone: +27 (0)11 448 6000  
Website: [www.stanlib.com](http://www.stanlib.com)

### Trustee

Standard Chartered Bank  
Reg. No. 2003/020177/10  
2nd Floor, 115 West Street, Sandton, 2196  
Telephone: +27 (0)11 217 6600